Washington, DC -- Today, Congressman Joe Sestak (PA-07) sent a letter to President Obama endorsing the Administration's proposed plan to inject $35 billion in Housing Finance Agencies (HFAs). The $35 billion is composed of $20 billion for new Housing Bond issuances by HFAs, and $15 billion to allow HFAs to continue to use affordable, short-term financing.

"Enabling HFAs -- which provide affordable and accessible mortgage financing for low-income and first-time homebuyers -- to issue new Housing Bonds and supporting their urgent liquidity needs are critical if we hope to continue the economy on the path to recovery," wrote Congressman Sestak.

"The housing market continues to stand on fragile footing. One in ten mortgage borrowers is behind on loan payments and one in 25 homes in the United States is currently in foreclosure. Any further falter in the housing market could have a tragic impact on the overall economy. I strongly urge you to implement these proposed plans to support Housing Finance Agencies," the Congressman noted.

Below please find the text of Congressman Sestak's letter:

September 30, 2009

The Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear President Obama,

I strongly support your Administrations efforts to address the ongoing challenges in the housing market, which led our economy into the recession we now face. Failure to take quick and significant action would have meant that GDP would not have returned to its previous 2007 peak by the beginning of 2011, but rather in 2014; three million additional Americans would have lost their jobs in the first half of 2009; and the unemployment rate would be over 12%

percent (11% marks an economic downturn as a depression). Although our concerted efforts have prevented the current recession from becoming more deeply protracted, further action is urgently needed. Therefore, I urge you to implement proposed plans to inject $35 billion into Housing Finance Agencies (HFA), including $20 billion to enable HFAs to issue new Housing Bonds and $15 billion to support urgent liquidity needs by allowing HFAs to continue using affordable, short-term financing (Variable Rate Debt).

As you know, HFAs have been a constant, reliable source of flexible, affordable mortgage financing for low-income first-time home buyers and rental housing developments. HFAs have made 2.6 million low- and middle-income families first-time homeowners and add another 100,000 families each year. Additionally, HFAs have financed more than 2 million affordable rental homes with Housing Bonds, generating another 100,000 homes each year.

Delinquency and foreclosure rates for state HFA loans are well below those in the conventional market, even during the current financial climate. HFAs never turned to subprime mortgage products and have never defaulted on a Housing Bond. In fact, the strong infrastructure and capacity HFAs have developed over many decades with the help of their Housing Bond programs has made them the housing assistance delivery system that we entrust with the administration of several other major federal assistance programs, including the Housing Credit, HOME, and Section 8.

Unfortunately, state HFAs are currently unable to sell long-term Housing Bonds at interest rates that allow them to lend bond proceeds affordably. As a result, all HFAs have severely curtailed and several have suspended their lending programs. This comes at a time when HFAs are experiencing increased mortgage demand from lower-income families looking to take advantage of lower home prices and available housing stock to buy their first homes, distressed homeowners seeking to refinance unaffordable mortgages, and developers trying to respond to today’s increased need for affordable rental housing.

As of March 2009, 45 state HFAs report that they could issue a total of $15 billion in Housing Bonds in 2009 and another $18 billion in 2010 if they were not limited by their current financial restraints. I urge immediate action by the Department of the Treasury to address this situation.

In addition to addressing HFA Housing Bond programs, I also strongly believe it is critical to help state HFAs maintain their strong financial positions and lending capacity by helping them remarket their short-term Variable Rate Debt (VRD) by backing it with strong liquidity facilities, such as stand-by bond purchase agreements and letters of credit.

Through no fault of their own, state HFAs now struggle to remarket their VRD because the financial institutions they have traditionally relied on to remarket it and to serve as buyers of last resort have either withdrawn from this market, have been down-graded by credit rating agencies, or are charging excessive fees and imposing unfavorable terms for providing this liquidity. The lack of highly rated liquidity providers has driven traditional investors in VRD out of the market and caused those who remain or have recently entered the market to demand excessive rates.

State HFAs unable to find buyers for their VRD have been forced to convert it to bank bond status, requiring them to pay it off under accelerated amortization schedules at high interest rates. Twelve HFAs now hold $3 billion in bank bonds. This VRD payment burden at minimum reduces the HFAs productive housing activity and at worst threatens the financial health of the HFAs themselves.

I, therefore, also encourage the Department of the Treasury to provide state HFAs stand-by liquidity facilities to replace existing facilities.

Enabling HFAs to issue new Housing Bonds and supporting their urgent liquidity needs are critical if we hope to continue the economy on the path to recovery. As you know, the housing market continues to stand on fragile footing. The Chief Executive Officer of Fannie Mae recently stated that one in ten mortgage borrowers is behind on loan payments and one in 25 homes in the United States is currently in foreclosure. Any further falter in the housing market could have a tragic impact on the overall economy. I strongly urge you to implement these proposed plans to support Housing Finance Agencies.

Thank you for your consideration of this important matter.

Warmly,

/S/

Joe Sestak
Member of Congress

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including as Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, the Congressman was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, the Congressman is the highest-ranking former military officer ever elected to the U.S. Congress.